PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2008

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Pastures Revolving Fund as at March 31, 2008 and the statements of operations and accumulated operating surplus and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
October 10, 2008

Fred Wendel, CMA, CA
Provincial Auditor

PASTURES REVOLVING FUND
BALANCE SHEET
As at March 31

	2008	2007 Restated - Note 11
ASSETS		
Current assets:		
Accounts receivable	$ 339,516	$ 528,687
Inventory	217,393	291,826
	556,909	820,513
Property, plant and equipment (note 5)	3,578,560	3,293,789
	$ 4,135,469	$ 4,114,302
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 363,961	$ 424,907
Unearned revenue	741,091	635,941
	1,105,052	1,060,848
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	2,638,269	2,671,197
	3,743,321	3,732,045
Equity:		
Accumulated operating surplus (Statement 2)	392,148	382,257
	$ 4,135,469	$ 4,114,302

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ending March 31

	Budget 2008	Actual 2008	Actual 2007 Restated - Note 11
REVENUES			
Grazing	$ 5,529,717	$ 5,546,660	$ 5,594,149
Petroleum and gas leases	1,650,000	1,582,189	1,548,063
Bull wintering	210,203	229,447	231,563
Timber sales	15,000	4,610	24,708
House rent	38,813	38,331	38,373
Seismic and easement	—	54,535	45,162
Hay	41,320	64,375	23,845
Gain on disposal of property and equipment	—	1,376	1,341
Other	35,165	44,574	27,398
	7,520,218	7,566,097	7,534,602
EXPENSES			
Salaries	3,573,164	3,595,121	3,407,221
Repairs and improvements	847,808	833,273	1,132,763
Taxes	944,828	952,586	909,035
Seed and forage	286,318	306,487	256,814
Rent of equipment, horses and other	293,230	281,868	289,472
Amortization	413,701	418,890	412,062
Travel	357,032	327,499	343,790
Small tools, equipment, and supplies	279,115	356,574	657,231
Utilities	132,900	141,137	129,478
Veterinary fees and supplies	81,039	70,342	120,974
Telephone/Communications	144,288	94,403	101,921
Bad debt expense	—	44,737	3,250
Freight and postage	21,525	21,220	22,369
Advertising and printing	4,050	6,024	3,953
Other	115,160	106,045	65,197
	7,494,158	7,556,206	7,855,530
Net income (loss)	$ 26,060	9,891	(320,928)
Accumulated operating surplus, beginning of year		382,257	703,185
Accumulated operating surplus, end of year – to Statement 1		$ 392,148	$ 382,257

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ending March 31

	2008	2007 Restated - Note 11
Financing required for (provided by) operating activities:		
Net (income) loss	$ (9,891)	$ 320,928
Items not affecting cash:		
Amortization	(418,890)	(412,062)
Bad debt expense	(44,737)	(3,250)
Gain on disposal of property, plant and equipment	1,376	1,341
Net decrease (increase) in working capital items related to operations (Note 10)	(263,070)	322,099
	(735,212)	229,056
Financing required for (provided by) investing activities:		
Purchase of property, plant and equipment	706,185	557,579
Proceeds from sale of property, plant and equipment	(3,901)	(50,012)
	702,284	507,567
Net (decrease) increase in financing requirements	(32,928)	736,623
Accumulated net expenditure, beginning of year	2,671,197	1,934,574
Accumulated net expenditure, end of year – to Statement 1	2,638,269	2,671,197

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. The following policies are considered significant.

a) Financial Instruments

Effective April 1, 2007, the Fund adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) handbook section 3855 – Financial Instruments – Recognition and Measurement. Under this new standard, all financial assets and liabilities must be identified and classified. This classification determines how each financial instrument is measured. The impact of the adoption of these recommendations on the carrying values of the financial instruments in the Fund's financial statements is insignificant.

The Fund's financial instruments and their classification are as follows:

Financial Instruments	Classification
Accounts receivable	Loans and receivables
Accounts payable	Other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost. The carrying value approximates their fair value.

Effective April 1, 2008, the Fund will be required to adopt CICA handbook sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Fund is exposed, and how the risks are managed by the Fund. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives.

The Fund does not expect the adoption of these new standards will have a material impact on its financial statements.

b) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

c) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and
ii) the book value of assets acquired (disposed of) at no charge from (to) another government agency.

d) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

e) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus. Amortization of all property, plant and equipment is charged to operations using the straight-line method at the following rates:

Land Improvements (fencing, water sites, corrals, etc.)	6.67%
Buildings	5%
Equipment and Vehicles	10%
Office equipment	10%

Property, plant and equipment that are acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

f) Revenue Recognition

Grazing revenue is recognized daily and billed at the end of the season when the animals are removed from the pasture.

Surface lease revenue is recognized on a month start basis and billed in advance for the year.

Timber revenue is recognized when the timber is harvested and its value is determined.

g) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue and grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

h) Use of Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

i) Capital Asset Thresholds

In 2007, the Fund received Provincial Comptroller approval to increase the threshold limits for capitalizing its capital assets as follows:

Buildings	$ 5,000
Vehicles	5,000
Equipment	1,000
Office equipment	1,000
Land improvements	5,000

3. Authorized Financing

Subsection 16 (11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Accumulated Operating Surplus

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

5. Property, Plant and Equipment

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment and Vehicles	$ 2,802,323	$ 1,554,338	$ 1,247,985	$ 1,049,484
Buildings	589,992	167,865	422,127	346,586
Office equipment	47,912	47,912	—	—
Land	19,000	—	19,000	19,000
Land improvements	3,129,703	1,240,255	1,889,448	1,878,719
Total	$ 6,588,930	$ 3,010,370	$ 3,578,560	$ 3,293,789

6. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2008	2007
Financial statement category:		
Expenses	$333,314	$313,167
Purchase of capital assets	97,170	—
Accounts payable	50,801	48,129
Accounts receivable	1,955	164,724

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Ministry of Agriculture without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net recovery (expenditure) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2008	2007
Net income (loss)	$ 9,891	$ (320,928)
Decrease (increase) in inventory balance recorded by the Revolving Fund	74,433	(42,385)
(Increase) in net property, plant and equipment recorded by the Revolving Fund	(284,771)	(96,847)
Timing differences in recording revenues/expenses	(144,210)	(342,052)
Net expenditure reported in the Public Accounts	$ (344,657)	$ (802,212)

9. Credit Risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $440,025 at March 31, 2008 with an allowance for doubtful accounts of $100,509. Some of the receivables were received shortly after year end reducing the credit risk.

10. Net Change in Working Capital Items Related to Operations

	2008	2007
Working capital changes:		
(Decrease) in accounts receivable	$ (144,434)	$ (175,884)
(Decrease) Increase in inventory	(74,433)	42,385
Decrease in accounts payable	60,946	465,239
(Increase) in unearned revenue	(105,149)	(9,641)
Total	$ (263,070)	$ 322,099

11. Restatement of prior year's financial statements

The disposal of property, plant and equipment was recorded incorrectly in 2007. The Revolving Fund has adjusted this error retrospectively. The effect on the comparative figures is a decrease of $48,671 in property, plant and equipment; revenues; and accumulated operating surplus.

12. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.